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Intelligence 5

Office of the Deputy
for the Intelligence Community

DCI/IC-74-2816

3 DEC 1974

MEMORANDUM FOR: Chairman, National Security Council
Intelligence Committee

SUBJECT : "Economic Intelligence - An Action Program"

1. The Director of Central Intelligence has requested I forward to you and other NSCIC members a copy of his paper, "Economic Intelligence - An Action Program" which was recently distributed to the United States Intelligence Board and the Intelligence Resources Advisory Committee.

2. The Action Program, which constitutes tasks to be carried out by the intelligence community in FY 75, has been reviewed by Mr. Leo Cherne of the President's Foreign Intelligence Advisory Board. He advises that it is "excellent and, to the extent there will in fact be active participation in the inter-agency committees and boards, will clearly assure a significant contribution to the making of economic policy." Additionally, he notes his agreement with the Director that "economic intelligence producers (and collectors) will be prepared to shift their efforts and resources in line with changing needs."

3. Copies of this same paper were distributed to the NSC C Working Group members at the 20 November meeting. Copies will be made available to members of the NSCIC Economic Intelligence Subcommittee once it is organized.

/s/ Samuel V. Wilson

Samuel V. Wilson
Lt. General, USA
Chairman, NSCIC Working Group

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Attachment: as stated

cc: All NSCIC Members

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ECONOMIC INTELLIGENCE -- AN ACTION PROGRAM

Among the Objectives for the Intelligence Community that the DCI presented in September 1973 in a memorandum to the President was one requiring action to enhance the utility of intelligence in support of "economic policies of the U.S. Government." A program meeting this commitment is outlined below. While this program focuses primarily on formal institutional arrangements, it is recognized that to a great extent the effectiveness of economic intelligence in supporting policymakers is governed by the day-to-day, informal contacts between intelligence officers and those officials responsible for policymaking and negotiations.

A. With respect to management, the following steps are being taken to increase the responsiveness of the intelligence community:

-- The policy-level Requirements Advisory Board (RAB) will be reactivated this fall under the chairmanship of a senior economic policy official. This body will play a central role in identifying high-level user needs. In effect, it will function as a subcommittee of NSCIC, which now includes a Treasury representative.

-- The NIO for Economics and Energy, in consultation with policy officials, has drafted eight economic Key Intelligence Questions (KI(s) for FY 1975. They, and others containing economic aspects, will soon be vetted by NSCIC and USIB.

-- The EIC Chairman and his committee will work in concert with the three USIB collection committees -- the Human Sources Committee, the SIGINT Committee, and COMIREX -- to improve collection guidance and to facilitate the coordination of the economic intelligence collection effort. In so doing, the Economic Intelligence Committee will be responsive to the priority needs of the policymaking departments and agencies.

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-- The EIC will continue to provide reporting guidance to the Foreign Service and other non-intelligence officers abroad via the Combined Economic Reporting Program (CERP), which is administered by the Department of State.

-- The Human Sources Committee will encourage EIC members to supplement their formal reporting guidance by responding positively to the State Department's recent invitation to provide missions abroad with informal, working-level feedback on economic reporting.

-- The Intelligence Resources Advisory Committee (IRAC) will be tasked to recommend suitable resource levels for economic intelligence. Invitations to participate in the work of IRAC will be extended to representatives of non-member agencies and departments with economic interests. Based on the work done in FY 1975, it should be possible for IRAC to examine NIP resources allocated to political-economic intelligence collection in FY 1976.

-- Efforts will be made by the NIO for Economics and Energy and the SIGINT Committee to identify the impact of user needs for increasing economic intelligence support on the coming five-year consolidated cryptologic program.

B. With respect to the national collection apparatus economic intelligence responsibilities will be allocated, taking into consideration not only the traditional intelligence collectors but also the capabilities of other organizations, namely the Treasury, Commerce, and Agriculture departments. The goal is to achieve greater responsiveness to the needs of policymakers while at the same time minimizing both risks and costs. Specific steps include:

-- The Human Sources Committee will assess the limitations and potential of overt and clandestine activities directed against economic targets in selected, non-Communist countries. The EIC and the NIO for Economics and Energy will assist the committee in the preparation of this assessment.

-- The NIO for Economics and Energy, with the assistance of the EIC and economic intelligence

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consumers, will review responses from the field to collection guidance, taking into account information available from open sources. In particular, he will review the posts to which Treasury officers are assigned to determine whether the establishment of new positions should be recommended. He will also evaluate the reporting of the financial attaches in terms of responsiveness to national intelligence priorities.

-- The EIC Chairman and the Chairman, SIGINT Committee, will institute a procedure for providing coordinated community guidance to NSA for SIGINT economic collection.

-- The NIO for Economics and Energy will work closely with representatives of policymaking departments and agencies and of NSA in an exploration of the possibility for increasing the SIGINT contribution to the economic intelligence effort.

-- The OER Director will complete his initial evaluation of the application of overhead photography for estimating crop conditions.

C. With respect to the economic intelligence product, efforts are being concentrated on the KIOs. Thus, intelligence producers are supporting a Substantive Objective of the Intelligence Community for FY 75 to "Provide reliable, timely and comprehensive information and assessments relevant to US international economic policy decisions and negotiations." The intelligence producers will also work toward improved early warning of international developments of priority interest to economic policy officials.

Past experience clearly indicates that a substantial number of demands placed by policymakers on economic intelligence producers cannot be foreseen far in advance because of the rapidity with which new economic events occur. Therefore, economic intelligence producers (and collectors) will be prepared to shift their efforts and resources in line with changing needs.

Efforts will be intensified to improve the quality, scope, utility, and timeliness of the economic intelligence product and its relevance to policy needs through the establishment of better communications with consumers and the freer interchange of research plans among the Washington economic community. Specific steps include:

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-- The NIO for Economics and Energy will expand his contacts, formal and informal, with consumers of economic intelligence to gain better guidance on subjects of concern to policymakers and to provide more effective feedback to producers and collectors.

-- Under the aegis of the RAB, the EIC will hold annual meetings to discuss the direction and focus of economic research programs and to determine how these programs relate to the KIQs and to the expressed needs of policy officials. The Department of State representative will report the committee's findings to the NSC/USC Subcommittee on Foreign Affairs Research (FAR).

-- The NIO for Economics and Energy and the Intelligence Community Staff's Coordinator for External Research, working with the EIC and FAR, will provide advice to contract managers of external research so that there will be a minimum of unnecessary duplication. At the same time, they will review ongoing external economic research contracts so that, if needed, a recommended program of work using external sources can be implemented in FY 1976.

-- The NIO for Economics and Energy will consult with the CIEP staff, with others in the Washington economic community, and with outside consultants, as necessary, to assure that intelligence studies and estimates have the greatest relevance and appropriate rigor, including the employment of relevant analytic methodologies.

10 October 1974

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12 November 1974

INFORMAL NOTE FOR THE DIRECTOR

DCI/IC 74-1277

Bill:

The Cherne letter and some of your instructions thereon set in motion a number of matters which will require man-hours and a steady state of emphasis. The Economic Action Plan which has been given wide circulation defines other specifics that must be implemented and which will require the assignment of some man-hours. It also sets forth some very clear actions for the Human Sources Committee, Economic Intelligence Committee, and the NIO for Economics, particularly in the evaluation of collection. It ~~also~~ commits you to looking at the Economic Intelligence product and its relevance.

One specific action involves tasking the Intelligence Resources Advisory Committee (IRAC) to recommend suitable resource levels for economic intelligence. Thus far, no action at all has been taken on this commitment.

There are several matters which need some immediate attention and institutional arrangements. First, I find even with the R&D Council a lack of an integrated external research effort in political and economic matters. Given further tightening of budgets, there is considerable scrambling to get at ARPA funds. Substantive research such as ruble/dollar ratio studies or the building of data bases for the application of some high pay-off methodological approaches are in very short supply. Second, even within CIA, your own budgetary overviews to date have not provided for integrated planning of our analytic focus. We need to do this both in CIA and across the Community but at the moment there is no institutional arrangement for designing a national analytic plan against which we can get some sense of size and scope of resources needed. Third, we have funds applying to new methodologies but as these methodologies are proven, 25X1 we have neither provided the people nor the funds to the estimative bodies to build the necessary data banks to pursue the new approach. [] is a case in point. Fourth, we have made some reasonable but slow progress on the requirements end of economic collection. We have also done fairly well in touching base with all non-intelligence U.S. Government agencies in

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the economic field. We have been successful in shifting slots from the Vietnam dividend to such things as oil, publications, and the like. We have taken out of the hide of CIA/DDI a new office of Political Research and in general I believe you can claim a better balance and improved productivity from about the same level of resources. At the same time, we have increased money-wise by hundreds of millions of dollars the funds flowing to technical collection systems. A few of those millions - one or two - would give you the needed headroom for external research, would provide the salaries for the 5 to 25 contract people to provide in-depth basic research in selected areas, and would permit the development of data banks.

I submit this observation only because I feel very restless about how we are treating with the problem in a real sense. At the moment, everyone is happy if they do not lose any slots but I wonder particularly in the economic field whether it isn't time to add a few slots and a few dollars. The same thing could be true with respect to DIA's military estimating but I'm not quite as sure of myself here. I don't believe we can give lip-service to the increasing importance of economic intelligence without making some modest increases in the amount of manpower we're prepared to make available.

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AD/DCI/IC

Attachments

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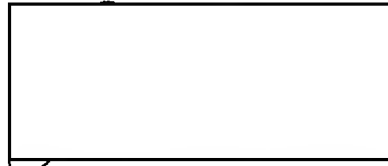
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UNITED STATES INTELLIGENCE BOARD
INTELLIGENCE RESOURCES ADVISORY COMMITTEE

MEMORANDUM FOR THE UNITED STATES INTELLIGENCE BOARD
THE INTELLIGENCE RESOURCES ADVISORY
COMMITTEE

SUBJECT : Economic Intelligence -- An Action Program

The Director of Central Intelligence has requested that his
attached report on this subject be circulated for information and
action as appropriate.



Executive Secretary

Attachment

cc: D/DCI/IC
cc D/DCI/NIO
Chairman, EIC
Chairman, HSC
Chairman, COMIREX
Chairman, SIGINT

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USIB-SC-9. 1/265

8 November 1974

SIGINT COMMITTEE

of the

UNITED STATES INTELLIGENCE BOARD

MEMORANDUM FOR THE SIGINT COMMITTEE

Subject: Economic Intelligence -- An Action Program

Reference: USIB/IRAC-D-44.1/2, 7 November 1974

The attached memorandum is circulated to SIGINT Committee members for information at this time and possible consideration at a SIGINT Committee meeting.

[Signature]
[Redacted Box]

Executive Secretary

Attachment
a/s

cc: Chairman, IGS
Chairman, SORS

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Attachment

USIB 30-4/265

8 November 1974

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NOV 1974

MEMORANDUM FOR: Deputy Director for Intelligence
Deputy to the DCI for the Intelligence
Community
Deputy to the DCI for National Intelligence
Officers

INFORMATION : Deputy Director for Science and Technology
Deputy Director for Operations
Comptroller

SUBJECT : Leo Cherne's Report to PFIAB

1. This is a most fascinating and important report by Mr. Leo Cherne to the PFIAB. The praise of the Intelligence Community's progress I specifically disclaim but, rather, place it with the people who really were responsible for it, in the DDI, NIO, IC and elsewhere. What is exciting about the report, however, is the challenge it presents to us for the future. I must confess full sympathy with the scale of importance he ascribes to economic intelligence as we look ahead, and I believe that we have to make sure that it is very much on the front burner. The current assets available for it have been carrying an enormous load; we must make sure that they are not overloaded to the detriment of the quality or even quantity of their response to the needs of our policymakers.

2. May we do the following?

(a) Follow up on the attached letter suggesting a discussion in some detail with Mr. Cherne (and possibly Mr. Shultz as well). I would see this involving the members of the RAB, State's and Treasury's USIB principals, our own NIO, DDI, Director, OER (also Chairman of the Economic Intelligence Committee) and any others thought appropriate. I would like to identify a specific agent for such a discussion acceptable to Mr. Cherne, as I think it might make the meeting most useful. Action: Could NIO/EC develop the specifics of this in cooperation with the other addressees above?

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(b) Develop an NIE-type paper on the likely results of large-scale Arab financial holdings, taking some of the points outlined by Mr. Cherne and other information available to our Intelligence Community. I know there are a lot of projections of this nature around, but I think the kind of clear, simple presentation of the major factors and alternative assessments that the DDI produced on food and population would be of great value to decision-makers. One of our major challenges is to clarify to some of us political science generalists the details of the economic art, since they will play so major a role in important policy decisions in the future. Action: Could DDI take an initial cut at this?

(c) Could we develop some specifics on the problem and our current ideas with respect to how we can assist U. S. business in competition with foreign business (page 4)? Action: DDI.

(d) Can we work on some assessments of the value of the various economic reporting sources, to include not only FSO economic counsellors but also Treasury, open sources, technical and even clandestine? There is nothing like a good post-mortem to generate attention to the future. Perhaps the IC Economic Intelligence Committee could develop this.

(e) There are a number of specifics left in Mr. Cherne's memo to which we certainly must respond in the course of our current production. Note especially the comments on pages 5-8. Note also the specific suggestion for an assessment of the likely impact on sugar prices of any change in the Cuban situation. Another item would of course be what the Arabs might do with respect to an inflation supplement to current oil prices.

(f) Another longer NIE-type paper might be developed on the prospects of economic unity or economic nationalism as oil and other inflation pressures come to bear on vulnerable countries, especially Europe.

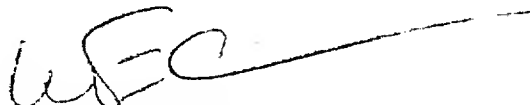
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(g) The remarks on page 4 indicate that Mr. Cherne essentially accepts our "Economic Action Plan" included in my letter to him of 18 October. I hope we have circulated this to USIB, NSCIC, RAB as we stated in that letter. If not, I think we should go ahead and do it.

3. Let us discuss among ourselves at an early Morning Meeting your comments or further suggestions.


W. E. Colby
Director

4 November 1974

Mr. Leo Cherne
President's Foreign Intelligence Advisory Board
The White House
Washington, D. C.

Dear Mr. Cherne:

Thank you so very much for your letter of 25 October with its most fascinating and challenging attachment. Your words about the Intelligence Community were certainly appreciated, but I hasten to indicate that the real praise does not go to me but to the people in it who did the actual work. I agree entirely, however, with your comment that we are running very hard simply to keep up; in fact, I think we are falling behind despite our running. I do think that the stimulus which you personally provided, as well as what was pushed by the Board earlier, has been of enormous value to us and has helped us to get up to the speed we are at.

You will be interested in the attached memorandum that I sent to my associates on this matter indicating that we really have a lot to do to move ahead. In that regard, you will also note that I asked them for a specific set of agenda items around which we might organize a discussion with you and the principal figures in the Intelligence Community. I will ensure that they receive a copy of your remarks beforehand and thereby hope to focus our discussion on the most useful steps.

We are making some progress on reconstituting the Resources Advisory Board, and I think this will be a particularly fruitful tool in this area. Nonetheless, the real proof of the pudding is going to be in what we produce, and I especially welcome your suggestions of specific substantive questions needing attention. My real problem will be to determine whether we have adequate analyst talent for the challenge ahead and, if not, where I am going to find the personnel resources needed. Part can be overcome by better interaction of the talent now in the various agencies and departments, and I think that shall be my first objective.

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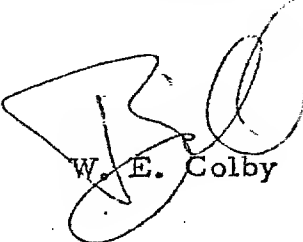
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As you know, I also will be distributing our Economic Action Plan, which I gather you thought made a certain amount of sense. I have deliberately required that I include comments on our performance thereon in our next annual report, in order to ensure follow-up.

Again, please let me thank you for your interest, your impressive contribution of knowledge, experience and imagination, and your positive remarks about the Community.

Sincerely,



W. E. Colby

Attachment

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See Chernov

*Executive Director
The Research Institute of America, Inc.
589 Fifth Avenue, New York, N.Y. 10017*
October 25, 1974

The Honorable William E. Colby
Director
Central Intelligence Agency
Washington, D.C. 20505

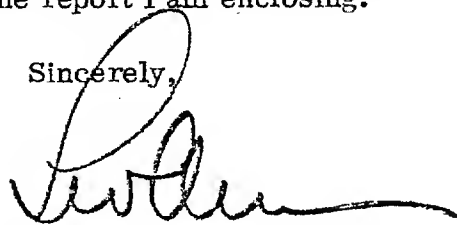
Dear Mr. Colby:

At the last meeting of the President's Foreign Intelligence Advisory Board, I reported on developments affecting economic intelligence which have occurred since the Board's 1973 report to the President on this subject. I am especially pleased to send an edited transcript of the oral report to you.

I hope I paid adequate tribute to the contribution which has been made by the community, under your direction. The results have been very substantial. At the same time, I think we are all running very hard simply to keep up with critical developments.

I will be delighted to discuss with you or any of your colleagues any questions which are stimulated by the report I am enclosing.

Sincerely,

Am...


Encl.

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THE WHITE HOUSE

WASHINGTON

PRESIDENT'S FOREIGN INTELLIGENCE ADVISORY BOARD

November 7, 1974

Dear Bill:

The attached letter from Leo Cherne is in response to your letter to him of 18 October. That letter forwarded a copy of the Economic Intelligence Action Program, on which you invited Leo's comments. As you will see, he was very favorably impressed.

Regards,

Wheaton

Wheaton B. Byers

The Hon. William E. Colby
Director of Central Intelligence
Headquarters Building - 7D60
Washington, D. C. 20505

Enclosure: ltr fm Leo Cherne to
Mr. Colby, dtd 11/5/74

Lee Cherni



*Executive Director
The Research Institute of America, Inc.
589 Fifth Avenue, New York, N.Y. 10017*

November 5, 1974

The Hon. W. E. Colby
Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Colby:

I regret the delay in answering your important letter. A brief bout with pneumonia has somewhat scrambled my schedule. I hope that I have not delayed your circulating copies of the Action Program to USIB members and others in the government who are concerned with economic intelligence. I share your conviction that it is important that that be done and, in some respects, more important now than might have been the case some months ago simply because there have been more than the usual number of changes among those who are concerned with policy formation.

The Action Program is, in my opinion, excellent and, to the extent there will in fact be active participation in the inter-agency committees and boards, will clearly assure a significant contribution to the making of economic policy.

As you know from the interim report which I presented to PFIAB, I have conveyed a high opinion of the Community's responsiveness to the new needs for economic intelligence. We have entered a period in which these needs will increase further, and the Action Program provides a substantial probability that those needs will largely be met. Your own personal concern with those needs has contributed significantly in the past and will, if anything, be even more vital in the future.

I am in especial agreement with the following observation in the document you sent me: "Past experience clearly indicates that a substantial number of demands placed by policy-makers on economic intelligence producers cannot be foreseen far in advance because of the rapidity with which new economic events occur." I do not believe you can responsibly go further than you did in

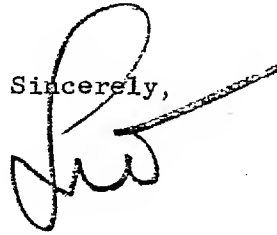
the next sentence: "Therefore, economic intelligence producers (and collectors) will be prepared to shift their efforts and resources in line with changing needs."

I am sure I add nothing to your knowledge of the difficulties in observing that not only are the needs often impossible to anticipate, but substantial difference about them exists within the Executive Branch. For example, it is my impression that the Secretary of State is much more pessimistic about the ability to face the accumulation of liquid reserves in OPEC without substantial international disorder than is the Secretary of the Treasury.

Regrettably, on questions like these, subjective judgment cannot be avoided. But responsive intelligence can substantially narrow the range of differences in judgment as well as their depth, and the Community's Action Program efforts substantially promise that that contribution will be provided.

With my deep regard,

Sincerely,

A handwritten signature in dark ink, appearing to be a stylized 'S' followed by a flourish.